

MINUTES OF THE BOARD OF DIRECTORS OF
SOUTH CAROLINA FIRST STEPS TO SCHOOL READINESS
BOARD OF TRUSTEES
A SOUTH CAROLINA NONPROFIT CORPORATION

January 13, 2004

Voting Directors Present: (12)	Mr. Lewis Smoak, Vice Chair Ms. Judith Aughtry Ms. Doris Ballard Ms. Katherine Davis Mr. Frank Holleman Ms. Rubye Jones Mr. Walt Miller Ms. Linda O'Quinn Sen. Linda Short Supt. Inez Tenenbaum (represented by Ms. Estella Holliday) Ms. Lisa Van Riper Mr. Dan Wuori
Voting Directors Absent: (9*)	Governor Mark Sanford, excused Rep. Kenny Bingham, excused Ms. Marileen Chapman, excused Mr. G. Lee Cory, excused Ms. Kristin Hook, excused Sen. John Matthews, excused Rep. Vida O. Miller, excused Dr. Philip Render Ms. Zan Tyler, excused
Non-Voting Directors Present: (7)	Mr. Bobby Bowers, Budget & Control Board Dr. Stan Butkus, DDSN Mr. Lee Catoe (represented by Ms. Elaine Dowdy Melvin), DAODAS Mr. George Gintoli (represented by Ms. Angela Flowers), DMH Dr. James Hudgins (represented by Ms. Hope Rivers), State Board of Technical & Comprehensive Education Mr. James B. Johnson (represented by Ms. Jane Conner), State Library Ms. Susan Jones (designee for Ms. Elizabeth Mabry), Dept. of Transportation Dr. Lisa Waddell (designee for Mr. C. Earl Hunter and represented by Ms. Angie Olawsky), DHEC
Non-Voting Directors Absent: (3**)	Ms. Kim Aydlette, DSS Mr. Jim Griffith, SC Transportation Assn. Mr. Robert Kerr, DHHS
Others Present:	Ms. Carolyn Brooks, Spartanburg County First Steps Mr. James E. Brown, York County First Steps Ms. Lora Bryson, Lancaster County First Steps Ms. Patricia Caldwell, Newberry County First Steps Ms. Lisa Corning, Richland County First Steps Ms. Edith Davis, Laurens County First Steps Mr. Dennis Drew, Governor's Office of Education Ms. Marie Dunnam, Oconee County First Steps Ms. Jannie Harriott, Allendale County First Steps Ms. Stephanie Harrison, Oconee County First Steps Mr. Randall Johnson, Marlboro County First Steps Ms. Mary Jones, Colleton County First Steps Ms. Sonia King, Orangeburg County First Steps Ms. Candi Lalonde, Edgefield County First Steps Ms. Marilyn Madden, Pickens County First Steps Ms. Virginia Newman, Calhoun County First Steps Mr. Rick Noble, Richland County First Steps Ms. Nancy Osborne, Berkeley County First Steps

*One vacancy – To be appointed by Sen. Glenn McConnell

**To be designated – Representative from Committee on Regulation of Child Day Care Facilities

Ms. Tanya Page, Dillon County First Steps
Ms. Mary Payson, Budget & Control Board ORS
Mr. Alexis Pipkins, Lee County First Steps
Ms. Omni Porter, DMH Intern
Mr. Jim Riddle, Lexington County First Steps
Mr. Spencer R. Scott, Florence/Marion County First Steps
Mr. Walker E. Solomon, Florence County First Steps
Mr. Danny Varat, Greenville County First Steps
Ms. Centuria Watson, Chester County First Steps
Ms. Amanda Wilson, Greenville County First Steps
Ms. Jeanne Yarborough, Anderson County First Steps

Staff Present:

Ms. Susan DeVenny
Mr. Russell Brown
Ms. Clark Bruner
Ms. Sue Bruorton
Ms. Gladys Carter
Mr. Jason Gilbert
Mr. Rodney Jenkins
Ms. Felice Lampert
Ms. Angela LeVan
Mr. Leon Love
Ms. Rita Paul
Ms. Dorothy Priester
Ms. Debbie Robertson
Ms. Debra Session

Call to Order

Mr. Lewis Smoak, Vice-Chair, called the meeting to order. Mr. Smoak recognized Ms. Katherine Davis, a newly appointed board member, and introductions were then made of all persons in attendance.

Approval of Minutes

Upon a motion by Mr. Dan Wuori and a second to the motion by Ms. Rubye Jones, the minutes of the November 19, 2003 meeting were approved as written.

Blueprint for South Carolina's Children

Mr. Smoak asked Ms. Susan DeVenny to brief the board on the work of the Blueprint Panel. Ms. DeVenny distributed the Blueprint for South Carolina's Children (*a copy of which is attached, as revised during the meeting, and incorporated into these minutes*), and gave a visual presentation of the report of the Panel.

Ms. DeVenny reminded the board that the Blueprint Panel – comprised of private sector leaders, state and local leaders, key readiness partners, private sector partners, and representatives from the Governor's Office – was convened in October. In addition, a Validation Team, comprised of early education experts from across the state, was recruited. Their charge was to respond to initial recommendations generated by the Blueprint Panel. The Panel conducted a data assessment and drafted initial recommendations over a period of two months. The Panel also convened a summit, which brought together all members of the First Steps organization statewide for the purpose of designing the next steps of the Panel.

The Panel was asked to respond to two key questions: 1) "What has South Carolina's investment in First Steps yielded to date?" and 2) "What is the unique contribution of

First Steps?” Two electronic surveys were conducted in October and November – one a stakeholders survey and one for the general public. At the same time, a leadership assessment was undertaken, which included meetings with authors of the First Steps enabling legislation, agency heads serving the same population as First Steps, and First Steps county leadership. In addition, national research and trends across the country were examined, which indicated that South Carolina is among the leaders in work on school readiness.

During Ms. DeVenny’s presentation, various comments and suggestions of board members were received and will be incorporated into the Blueprint Findings and Recommendations. Mr. Smoak noted that leadership of the Board of Trustees is essential in moving forward effectively in operationalizing the recommendations of the Blueprint Panel.

Upon a motion by Mr. Dan Wuori to adopt the Blueprint Panel Recommendations, as revised, as the official position of the Board of Trustees, a second to the motion by Ms. Lisa Van Riper, the board voted to approve the motion.

Strategic Planning and Administration Committee Report

Conflict of Interest Policy

In the absence of the chair, Mr. Frank Holleman informed the board that the committee had discussed a conflict of interest policy for use by First Steps county partnership boards and made a motion that the policy be considered for approval. He stressed the fact that this policy is not the same as the law that governs the State Board of Trustees. The draft policy was distributed, which addressed conflicting involvements as follows:

First Steps board members or a member of their immediate family would personally benefit from the decision;
First Steps board members or immediate family members serving as board members of applicant organizations;
First Steps board members or immediate family members employed by the applicant organization.

The policy provides that should it be determined a conflict exists, the board member involved may participate in the discussion, provide information, and answer specific questions, but shall abstain from voting on the final decision. In addition, in the case of a competitive award involving the conflicting person’s organization, the board member shall not be a part of a committee that evaluates and scores proposals to determine who is awarded a contract.

Ms. Edith Davis, Laurens County First Steps, commented that it had been thought by one of her board members that if an individual having a conflict were asked to leave the room during discussion and subsequent vote, they were being denied their First Amendment rights. Ms. Jannie Harriot, Allendale County First Steps, stated that county partnerships could consider State Ethics laws and other non-profit rules regarding conflict of interest and resolve the issue among their boards. She added that part of the Blueprint report

dealt with burdening the county partnerships with undue rules and regulations. Mr. Holleman then summarized comments as 1) do we need the conflict policy at all, and 2) if the policy is needed, then how is employment by relatives and board members handled, especially in small counties.

Mr. Smoak suggested that the policy be returned to the Strategic Planning and Administration Committee for further work. He also suggested including several partnership board chairs and executive directors in the discussion. Mr. Holleman withdrew his motion.

Definition of Administrative vs. Programmatic Costs

Mr. Holleman informed the board that the committee had discussed the definition of administration to determine if First Steps costs are not only within reason but also within the statutory guidelines. The committee made a recommendation, distributed to board members, basically providing lists of administrative tasks and programmatic tasks when allocating funds to operational activities of the partnerships.

Suggested administrative tasks were listed as:

- Public awareness
- Fundraising
- Professional training
- Preparing applications, grants and plans
- Developing agreements/contracts with vendors/other agencies
- Preparing reports and other documents
- Financial management (budgets, invoices, checks, reports, audit, etc.)
- Supervising/managing partnership staff
- Board preparation/meetings
- Office operations (rent, utilities, office equipment, office supplies, etc.)

Suggested programmatic tasks were listed as:

- Planning, developing and designing programs
- Monitoring program activities (contract and in-house)
- Evaluating programs
- Data collection
- Travel costs related to overseeing programs

Mr. Holleman added that the committee does not think these lists are all inclusive in managing administrative costs as far as what falls into one category or another because of the differing approaches taken by various partnerships on how costs are categorized.

Ms. Lisa Van Riper asked if a distinction would be made between public awareness of First Steps as opposed to public awareness of readiness. It was suggested that an addition be made to the programmatic tasks to include educational programs.

Ms. DeVenny said this issue is being brought to the board because there has not been a board-approved definition of administration and program expenses. She said First Steps has had guidelines and instructions, but when the board-initiated surveys were completed last summer by partnerships, the counties' self-reported time spent on tasks varied from

county to county. In further examining the survey responses, it became apparent that a clear definition of administration and program expenses was necessary. Ms. DeVenny reminded the board that the Blueprint for South Carolina's Children is very intentional in reducing administrative expenses at both state and county levels.

Mr. Wuori said that the end goal is to help keep administrative costs below the legislatively mandated 8% cap. He added that the board has the leeway to waive administrative costs that exceed the 8% cap, but increasingly, as funds had been scaled back, every possible dollar should be devoted to programs that are getting children ready for school while keeping administrative costs as low as possible. He added that he sees this as an important first step in returning to the legislative intent of the 8% cap.

Ms. DeVenny reminded the board that, when reviewing the history of First Steps, the enabling legislation was designed as a model patterned after North Carolina Smart Start, funded at a \$200 million dollar level. First Steps began at \$20 million, but the intent was that it would grow to a program at a much higher funding level. She added that the 8% cap, faced with the lower funding level, is really a challenge. She said the initial step is to define administration, then work on where we are, and then how to comply with the legislative mandate.

Ms. Van Riper said it is important that only those costs that are really administrative to keep a program operational be defined as administrative and everything else placed in the programmatic category. Mr. Holleman said that First Steps is not just a service delivery organization; part of its mission is to establish the county partnerships and develop local leadership.

Mr. Russell Brown stated, in looking at program and administrative costs, the board needs to think about how an auditor would view cost allocations. Ms. Jannie Harriot (Allendale County First Steps Executive Director) said that, especially in small counties, 8% of their allocation is very small, and the executive director is the person managing all of the programs. Ms. Harriot further stated that saying administration is 50% of her time is not realistic. She added that she spends approximately 75% of her time on programs.

Mr. Holleman said that what is being considered in the motion does not address that issue but rather is an attempt to list the type of tasks considered administrative and programmatic. Mr. Smoak asked if there is an auditor's issue on the 50% or if it is a general standard of First Steps. Mr. Rodney Jenkins replied that it is a general standard, and the motion of the committee does not designate a percentage but merely provides a list of tasks in the two categories.

Mr. Wuori said that he works professionally as an administrator so he feels strongly that his administrative responsibilities have a very direct bearing on the quality of programs involved. He said legally First Steps is bound to have a cap on administrative costs, and it is the intent of the committee to begin getting a handle on exactly how those costs are defined so that First Steps is running as efficiently as possible and ensuring as many dollars as possible are being devoted to direct services.

Mr. Smoak said he understands with reduced budgets that more tasks in the smaller counties will come under the programmatic definition, but he wants to be sure the tasks are being designated properly. Mr. Smoak asked if the Board of Trustees should consider voting on the general definition and then addressing the issue of the 50% rule and whether it needs to be modified.

The following modifications (in bold) to the definition were noted:

- 1) Public awareness **of the First Steps initiative**;
- 2) Professional training **of First Steps staff and board**;
- 3) Add **“Public education”** to Programmatic Tasks

Mr. Wuori pointed out, while we are attempting to define administrative tasks, one of the other messages being voiced is that there are too many administrative processes and so an attempt is being made to streamline and make the portion of the executive directors’ jobs that is going to be devoted to administrative tasks much more efficient.

Mr. Smoak said “developing agreements/contracts with vendors/other agencies” should be moved from administrative tasks to programmatic tasks. It was decided to also include this task under programmatic tasks if the partnership is implementing a program. Ms. DeVenny said First Steps wants to reduce, to the extent possible, administrative expenses across the state, but when a partnership is developing a contract where First Steps is simply a “pass through,” the partnership is not “adding value.” If, however, a partnership is developing a collaborative agreement and a working partnership that strengthens, focuses and increases, that should be considered program expense.

Ms. Estella Holliday emphasized the fact that the board needs to think more in terms of direct services to children and families and it can go too far in making allowances for real administrative issues to move to the programmatic area. Mr. Smoak stated that when the task is a hands-on operation of a program, he thinks the task should be considered programmatic. When the task involves receiving a report on a program, it would be considered administrative.

Ms. DeVenny said that she had added “with or as providers” to “planning, developing and designing programs” under Programmatic Tasks. She further stated that she believes more input and specificity are needed, and perhaps more time should be spent on the definition. She said the intent is to help First Steps be more focused on children and to provide counties with the help they need.

A motion was made to return the Definition of Administrative vs. Programmatic Costs to the Strategic Planning and Administration Committee for more work. The vote resulted in a tie (5 to 5). Due to a technicality, the vote was retaken.

On behalf of the Strategic Planning and Administration Committee, a motion was made to accept the amended Definition of Administrative vs. Programmatic Costs (*see items 1, 2, and 3 above*).

A motion was made by Ms. Van Riper and seconded by Ms. Judith Aughtry to amend the tasks listed under Administrative tasks to add “administrative” to “developing [administrative] agreements/contracts with vendors/other agencies.” A tie vote was recorded, the Vice-Chair broke the tie vote, and the amendment was approved. Mr. Smoak then called for a vote on the amended motion. A vote of seven in favor and three opposed was recorded.

Mr. Holleman then noted that the reality is that with an \$18 million First Steps program with staff and partnerships in 46 counties, an 8% administrative cap cannot be satisfied in every county. Mr. Smoak replied that is a reality that must be addressed.

Applications/Grants Committee Report

Ms. Doris Ballard, Chair, informed the board that the committee had approved requests for reallocation of funds greater than 10% from Abbeville, Aiken, Charleston, Marion, and York Counties.

A revision to the process to approve the allocation/reallocation of funds and new strategies was presented to the board for consideration at the February board meeting.

Fiscal Accountability and Evaluation Committee Report

Mr. Walt Miller, Chair, made a motion on behalf of the committee to change the name of the committee to the Evaluation and Accountability Committee to more accurately reflect the duties of that committee. The motion was approved.

Additional highlights of Mr. Miller’s report included:

A Request for Proposals for an evaluator to perform the evaluation of First Steps, which will culminate with a report due January 2006, is being designed;

A grant in the amount of \$54,000 by the Psaras Foundation has been awarded to First Steps for leadership training; and

Child Trends is performing a study of 4-K and has requested First Steps’ input and possibly some financial assistance for the study. Mr. Miller added that the study may provide a springboard to bring other agencies into working partnerships to create a solid group of early childhood professionals.

Director’s Report

Ms. DeVenny stated that she had attended the National Governor’s Association meeting in December, along with Mr. Dennis Drew (Governor’s Office of Education), Mr. Smoak, Ms. Clara Heinsohn (Senate Education Committee staff), and Ms. Blair Goodrich (Governor Sanford’s Washington Office staff). Ms. DeVenny encouraged board members to read the Federal Reserve Bank of Minneapolis study on the economics of early childhood development, which was recently mailed to board members.

Ms. DeVenny said First Steps is working deliberately to build a formal partnership with Success by 6, an initiative of United Way.

The Education Oversight Committee (EOC) has been holding meetings across the state gathering feedback on the status of schools. Mr. David Potter, EOC Director of Research, informed Ms. DeVenny that the committee is regularly hearing about the value added of First Steps.

Ms. DeVenny distributed a matrix of programs being implemented by First Steps county partnerships in FY 04 by individual counties together with a description of the various programs (*copy attached to these minutes*).

Ms. DeVenny reminded board members that the Statement of Economic Interests forms must be completed by all board members and submitted by April 15, 2004. Penalties may result from late filing of this form.

A contact information form was provided to board members with a request that they return it to Ms. Sue Bruorton to provide her with their preferred method of contact.

Deputy Director's Report

Ms. Rita Paul reported that the North Carolina Smart Start Conference would be held at the end of January. Mr. Dennis Drew, Mr. Jenkins, and Ms. Paul will attend a pre-conference session on financing early care and education. Ms. Linda O'Quinn and other staff members will attend the full conference.

Ms. Paul mentioned that she had just spoken to a Leadership Columbia class, and she was pleased to receive pertinent questions about First Steps and its programs when previously many people outside the organization had little, if any, information about First Steps.

Mr. Smoak recognized Mr. Drew, Governor's Office of Education, who thanked the Board of Trustees and the Blueprint Panel for their hard work. In addition, he thanked Mr. Holleman for the work of the Strategic Planning and Administration Committee in addressing the difficult issue of the 8% administrative cap.

Chief Financial Officer's Report

Mr. Jenkins reviewed the FY 03-04 Budget Summary and Financial Statement.

Mr. Holleman announced that Greenville County First Steps and Success by 6 would soon be announcing the receipt of a \$1 million Early Literacy Opportunity grant particularly aimed at improving the quality of child care facilities.

Adjournment

There being no further business, the meeting was adjourned.

Daniel F. Wuori, Secretary
South Carolina First Steps to School Readiness
Board of Trustees, a South Carolina Nonprofit
Corporation

APPROVED this the _____ day of February 2004.

Mark Sanford, Governor of South Carolina and
Chairman of South Carolina First Steps to School
Readiness Board of Trustees, a South Carolina
Nonprofit Corporation